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DRUG STORE NEWS

Vol. 8/No. 14 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. June 23, 1986

Eckerd has opened up its pharmacy department and added a neon sign for easy visibility.

Eckerd enters fray with 'Spartan' look

By Bruce Buckley

CLEARWATER, Fla. — Eckerd Drug took the wraps off its new Spartan prototype, the centerpiece for an extensive remodeling program on which the chain is investing a considerable chunk of its capital budget.

The unveiling of the new prototype, with its clean, uncluttered look and emphasis on shopper convenience, signals a major shift toward remodeling as a vehicle for improving Eckerd's return on assets.

At the Jack Eckerd Corporation's recent annual meeting, the last as a public company, chairman and ceo Stewart Turley said the chain will be cutting back on the number of new store launches from about 100 a year to 50.

Plans remodeling

Eckerd will use its remaining capital dollars for an accelerated remodeling program. Two hundred and fifty stores will be refurbished this year and 300 in 1987, with a total of as many as 900 by the end of the decade. New stores will be used to increase penetration of existing markets rather than opening new ones.

With the Spartan program in high gear, Eckerd has already introduced the new look in 55 stores, most of them in Florida and the rest in Charlotte, N.C., Dallas and Houston.

The focus on Florida indicates the importance of the state's markets to Eckerd, which has key locations there but has been under increasing

See **Eckerd,** *page 70*

Calif. utility courts Thrifty with $875M stock swap

By Lou Karney

LOS ANGELES — Despite the unhappiness of some Pacific Lighting shareholders over the Thrifty merger, there is no groundswell that could lead to a proxy fight.

Shareholder discontent over diluted earnings contributed to a drop of almost two points in Pacific Lighting stock within 48 hours of the announcement.

Sarah Stack, analyst for Bateman Eichler, Hill Richards, noted, "I have never seen utility shareholders sufficiently aggressive to thwart a merger."

Jonathan Ziegler, analyst for Sutro & Co., said that "even if the dissenting view adds up to 7% or 8% (vs. the usual 3%-4%), the deal should go through. The merger should pay off in the future by adding to Pacific Lighting's growth because Thrifty's growth rate is higher than Pacific Lighting."

See story on Thrifty's Perfecto, page 50.

Under the merger deal, Thrifty shareholders will receive 17.2 million shares of Pacific Lighting common stock, worth $875 million at the time of the announcement. However, two days later the stock dropped almost two points, reducing the value to $802 million.

The announcement of the merger caught observers by surprise. After 57 years of Thrifty's independence, Leonard Straus, Thrifty's

See **Thrifty,** *page 70*

Late News

LOS ANGELES — Thrifty Corp. said at presstime that it had sold its 34% interest in Crown Books and its 50% interest in Trak Auto. Thrifty sold its interest in the discount book chain to Crown Books Corp. for $13.45 a share, or $37 million. Its holdings in the auto parts chain went to Trak Auto Corp.

More super foodstores in New England

Stop & Shop to add 26 stores

BOSTON — Stop & Shop Companies will spend $225 million to open at least 26 more super foodstores between now and the end of 1988, chairman Avram Goldberg told stockholders at its annual meeting here.

That will more than double its roster of super Stop & Shop foodstores, 25 at presstime, to be clustered within current southern New England markets, primarily Connecticut, Rhode Island and Massachusetts.

Virtually all will have pharmacies, Goldberg told *Drug Store News*, except those in Massachusetts, where the company has so far failed to overturn a state restriction against pharmacies in food stores. That has so far limited its count of pharmacies to 14, another company official said.

Another hearing granted

"I'd like every superstore to have a pharmacy," Goldberg said, as he drew a parallel between now and "the early days" when chain drug stores first entered Massachusetts. He said a recent court decision in that state has gotten the company another hearing before the State Board of Pharmacy, but he didn't make any prediction.

See **Stop & Shop,** *page 70*

Lewis Schaeneman Jr., Stop & Shop supermarket division president, will oversee seven new superstores in 1986, with high-margin specialty departments.

Bergen Brunswig gains in S. Calif. with LAD buy

LOS ANGELES — Bergen Brunswig was the winning bidder for Los Angeles Drug (LAD), the $160 million-a-year wholesale drug division of the Di Giorgio Corp. The price was $40 million in cash.

A Di Giorgio exec told *Drug Store News* that "several other drug wholesalers made offers," but declined to name them.

A knowledgeable source identified two of them as Fox-Meyer and McKesson.

A wholesale drug exec expressed surprise that Fox-Meyer was not more aggressive. "It may be their last chance to gain a foothold on the West Coast. The two remaining majors are Northwestern Drug and Amfac. Amfac is not for sale, and Fox-Meyer's deal for Northwestern feli through last December."

Bergen's purchase of LAD

See **Bergen,** *page 70*

Bergen Brunswig tears up track: Adds sales of $950M in 20 months

Company	Acquired	Sales (millions)
The Allen Co.	Oct. 1984	$ 70
Synergex Corp.	Jan. 1985	331
Davis Bros.	June 1985	110
Cibcoa	Sept. 1985	80
Berry Wholesale	Jan. 1986	50
Southwestern Drug	May 1986	150
Los Angeles Drug	June 1986	160

Source: Company reports

Brides, romance sell prestige scent See page 12

Public acceptance sparks incontinent sales See page 58

NEWS IN BRIEF

Dart to test POS equipment

LANDOVER, Md. — Dart Drug Stores, which recently placed $160 million in debentures (see related story, p. 6), has also received a commitment from IBM to test point-of-sale equipment in four stores in late summer.

Dart eyes full chainwide implementation within 12 to 18 months, said senior vp-merchandising Al Nehman, and will use some proceeds from the offering to help fund it.

The front-end equipment seems to be particularly important to Dart, which advertises 500 items a week but has no price lookup capability now. Labor savings, enhanced front-end speed and elimination of ringup errors is expected to provide ample return on investment.

In addition to POS and new store expansion, debenture proceeds will be used to replace an existing revolving credit line from General Electric Credit Corp. that has a potential cap of $63 million, with a $25 million revolver with commercial banks.

Vons acquires Pantry

EL MONTE, Calif. — Vons Grocery Co., operators of 39 pharmacies in its combos, added one more with the acquisition of the 10-store Pantry division of Cullum Companies.

The pharmacy is in the 41,000-sq.-ft. food/drug combo that Pantry opened in December 1985.

Pantry, like its Tom Thumb/Page sister division in Dallas, operates upscale stores. Cullum bought Pantry in 1966.

The sale of Pantry—following the sale of the 34-store Hinky-Dinky division in Omaha early in 1985—confines Cullum's operations to Texas, where it has 70 stores.

Med-Glaser reports $623K net loss

ST. LOUIS — Medicare-Glaser Corp. reported a net loss for the year ended March 31. Sales increased 4.7% to $81.7 million.

The company said the loss of $623,000, or 20¢ a share, was the result of operating losses in its medical database subsidiary, Professional Drug Systems; increased competition as well as the cost of a market share enhancement program in St. Louis; and the cost of converting many pharmacies to full-line drug stores.

In the fourth quarter, Medicare-Glaser sales increased 3.3% to $20.9 million, but the company reported a loss of $410,000, or 13¢ a share, compared to a $500,000 loss, or 17¢ a share, a year earlier.

Commercial sale of interferon O.K.'d

WASHINGTON, D.C. — The FDA has approved the commercial sale of interferon for the treatment of a rare form of cancer called hairy cell leukemia.

The approval marks the first time that interferon, discovered 30 years ago, will be available with a doctor's prescription. The FDA granted its approval to Hoffman-La Roche Inc. of Nutley, N.J., which developed Roferon in conjunction with Genentech Inc., a biotechnology company located in South San Francisco.

Schering-Plough Inc., of Madison, N.J., received approval to market its product, Intron, developed in conjunction with Biogen Inc., a Cambridge, Mass., biotechnology company.

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Vol. 8, No. 14 June 23, 1986

SGC plans '86 expansion

$200M targeted for food and drug units

SECAUCUS, N.J. — Supermarkets General moved its deep discount operations into Virginia this month as part of an ambitious 1986 growth program for the sharply priced drug segment.

The retail conglomerate opened a Pathmark Super Drug store in Hampton, Va., as the first of seven new deep discount units planned this year. It's part of a record $200 million corporate capital expenditure program to expand the food and drug businesses.

"We're planning to aggressively expand the deep discount business," said James Dougherty, executive vp, at the company's annual meeting here.

Aiming at 25 deep discounters

The company wants to end the fiscal year in February with 25 deep discount stores, by adding a combination of 22,000-ft. Super Drug stores and new 21,000-sq.-ft. Heartland Drug deep discount units.

In other business, stockholders authorized the issuance of 100 million shares of common stock—five times the prior amount and 2½ times the amount needed to cover a two-for-one stock split also ratified by holders.

The authorization gives Supermarkets General flexibility to effect mergers or acquisitions, or to dilute earnings per share to foil any takeover effort, officers said. They added that the split to 40 million shares outstanding was meant to stimulate investment by halving the price per share.

Letter of intent signed

To further concentrate on its food and drug businesses, the company last month signed a letter of intent to sell its Howland Steinbach-Hochschild department store division to Amcena Corp., a New York apparel and specialty department store firm.

Ernest Ostreicher says Drug Mart's Indianapolis unit will stock "99%" of major H&BA brands.

Drug Mart grows in Midwest

DAYTON, Ohio — Drug Mart, an expansion-minded deep discounter based here, is throwing its hat into two new Midwestern metro markets.

Activity by eight-year-old Drug Mart is helping to make the Indianapolis market a showcase for veteran low-price drug chains.

Drug Mart opened its first Indianapolis store this month, with plans for at least one more by July, when it will also break into Cincinnati with one store.

Expects expansion

Ernest Ostreicher, Drug Mart's president, said the business could grow to 20 stores within four years, with the financial backing of New York investment banker Stephen Schwarzman, who formed a partnership with Ostreicher recently.

Ostreicher believes his "classic" approach to deep discounting spells trouble for some in Indianapolis. Drug Mart sticks to consistently broad brand-name assortments in core drug store departments, without straying from its deal-buying strategy.

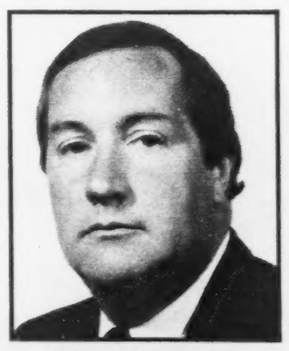
Indianapolis now boasts five deep discount chains, including three Drug Emporium stores, two Peoples Bud's stores, two F & M Distributors stores and one Rite Aid Drug Palace. Peoples and Hook's are the dominant conventional chains.

Industry sources feel the market is still understored and can support at least twice the number of deep discounters. But they may also trample each other, given the aggressive expansion programs planned by several.

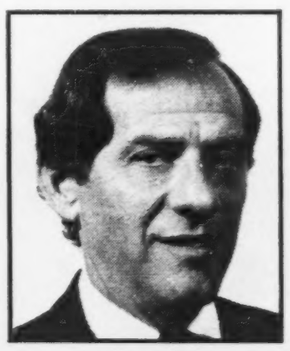
Market sources said Drug Mart is looking at as many as four sites here, although Ostreicher wouldn't confirm.

Cincinnati is more typical of a Midwestern metro market in having less penetration by drug deep discounters. Drug Emporium and SupeRx's Drug World are the only two players so far.

Dayton, where Drug Mart operates four stores, is saturated, according to Ostreicher, who shares the market with Drug Castle, a local low-price operator.



John P. Manton



David Forman

James N. Schwarz

Peoples appoints 3 sr. vp's

ALEXANDRIA, Va. — Peoples Drug Stores announced the final wave of its senior management restructure, naming three executives to report to chairman Sheldon "Bud" Fantle.

They are:

- John P. Manton to the newly created post of senior vp-corporate development and real estate.
- David Forman as senior vp-human resources.
- James Schwarz as senior vp-legal.

In his new position, Manton will coordinate efforts of real estate vp's who report to their divisional coo's and set standards and practices for leasing, maintenance and operation of all real estate.

Manton will also be directly responsible for all specialty retailing, subsidiary and experimental operations at Peoples, including: seven Bud's deep discount stores; Hardee's fast-food franchises; 52 in-store and five freestanding optical centers, including Eye City; four home health care stores; Hillcrest Sales, a rack jobber, and B. H. Krueger, a manufacturer of private label and national brand fragrances, powders and lotions.

Manton, 43, had been coo of Peoples' mid-Atlantic division since 1980, after serving four years as vp-operations.

Forman, who has served as corporate vp-human resources since 1976, is another former Lane executive. He served as personnel director there since 1971.

Schwarz, 41, has been vp-legal at Peoples since 1980 and a board member since 1984. He joined Peoples 13 years ago as corporate secretary and house counsel, and was promoted to general counsel in 1977.

FINANCIAL

Dart gains freedom in debt restructuring

By Al Heller

LANDOVER, Md. — Dart Drug Stores fared better in the financial marketplace than it had anticipated.

The 79-store chain placed a $160 million senior debenture offering, due 2001, at a fixed 12.7% interest rate. That's $10 million more at an approximate 0.8% more favorable interest rate than the company had estimated in its initial prospectus dated Feb. 25.

Financial Analysis

"That speaks for our strong reception by the investment community and the strength of the bond market at the time," chairman Stephen Hansbrough told *Drug Store News*. "It gave us the opportunity to raise more funds at a fixed rate."

Use undecided

He said Dart hadn't yet targeted a specific use for the extra $10 million, except that "maybe it means we use less from our revolver."

The offering, underwritten by Prudential-Bache Securities, is rated B2 by Moody's and B- by Standard & Poor's.

Dart now has a measure of financial freedom unprecedented since it went private in a $160 million leveraged buyout two years ago. This offering defers all principal repayments until 1994—and enhances cash flow approximately $48 million over the next five years, compared with its previous debt structure.

Dart is using the new funds to retire all debt owed General Electric Credit Corp., the LBO group's sole lender. Dart will thus avoid repaying GECC $100 million in principal over the next five years out of funds from operations.

To redeem preferred shares

Moreover, Dart will redeem all preferred shares held by GECC, although the lender will keep its 30% common stock share in the retail drug chain.

Dart executives told *Drug Store News* the chain will probably seek a public stock offering well before any principal repayments are due. Close estimates are two to three years from now.

Meanwhile, Dart has the resources to pursue its competitive plans against Peoples and Gray Drug Fair in the Greater Washington market. Hansbrough wants to position Dart as "the hometown chain . . . downtown in a big way . . . to service everyone who lives and works here," often using a new downsized prototype for urban locations.

Dart also plans to expand conventional stores to help cover about three dozen nearby targeted suburban areas throughout the late 1980s.

4 stores in 6 months

Dart has opened four stores in the past six months and is committed to 10 in 1986 and a schedule of approximately a store a month over the next three years to raise its roster to 120, said Al Nehman, senior vp-merchandising.

Two of the four stores are 5,000-sq.-ft. prototype formats, one in an office building and another in a low-income area. A third is 7,000 sq. ft. in a high-income downtown area, and the fourth, a 10,000-sq.-ft. store in Wheaton, Md. The two larger stores are former Gray Drug Fair sites.

Two more openings are on tap, said Nehman: an 8,500-sq.-ft. store in Falls Church, Va., and a 5,000-sq.-ft. store at 18th and M, one of the busiest intersections in the capital's downtown.

Perry sales jump 31% in 1st half; profits up 6%

PONTIAC, Mich. — Despite higher interest and insurance costs, Perry Drug Stores achieved record sales and earnings for the second quarter and six months ended April 30.

Sales for the second quarter increased 27% to $147 million from $116 million in the comparable period a year ago. Net income rose 10% to $1.1 million from $1 million. Fully diluted earnings per share were up 20% to 12¢ from 10¢ last year.

For the six months, sales were $310 million, a 31% gain over the $237 million achieved in the same period last year. Earnings increased 6% to $4.8 million, or 48¢ a share, from $4.5 million, or 46¢ a share, in the earlier period.

Jack Robinson, chairman and ceo, said he expected that higher interest and insurance expenses would continue to be "a significant factor in the next six months, particularly given the well-publicized changes in escalating expenditures in liability insurance being experienced in our industry and in general."

Cardinal profits rise 64%

DUBLIN, Ohio — Cardinal Distribution reported record net earnings up 64% in the fiscal year ended March 29, on a 34% sales gain.

Earnings jumped to $6.03 million, up from $3.68 million a year earlier, and included a gain arising from the private placement of a minority interest in its Mr. Moneysworth subsidiary last November.

Sales rose to $429 million, up from $320 million in the previous year. Both sales and earnings results included contributions from John L. Thompson Sons, the drug wholesaler acquired last January.

Net earnings and sales also grew in the fourth quarter. Net was up 18% to $1.22 million from $1.04 million. Sales gained 16% to $111.9 million from $96.6 million.

Chairman and ceo Robert D. Walter cited "strong sales growth and continued emphasis on cost control."

Big B net, sales up 20%-plus in 1st qtr.

BIRMINGHAM, Ala. — Big B recorded a 20.8% gain in sales and a 28.4% increase in net earnings for the first quarter ended May 10.

First-quarter sales for the 143-store chain increased to $54.4 million from $45 million in the year-earlier period, while net income was $1.6 million or 24¢ a share, compared with $1.3 million, or 19¢ a share, a year ago.

The company opened eight new drug stores during the quarter.

		STOCK PRICE							EARNINGS/SHARE			P/E	DIVIDENDS	
		From 05/23/86 - 06/04/86								Latest 12 Months vs Preceding 12 Months Change				
					Change		52-Week		Last Fiscal Year			Latest P/E Ratio	Indicated Dvd. Rate	
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low		Amt.	Pct.		Amt.	Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	65.63	57.00	62.75	6.00	10.57	68.25	53.13	4.11	-1.33 q	-23.8	14.7	.84	1.3
Begley Co	BGLY	21.00	21.00	21.00	.00	.00	23.50	15.50	1.26	.50 n	42.7	12.6	.72	3.4
Big B	BIGB	17.88	16.25	16.50	1.13	7.32	17.88	12.63	.61	-.04 q	-5.7	25.0	.00	.0
Drug Sys	DRGS	5.50	5.13	5.38	.25	4.88	6.13	3.75	.35	-.97 n	-100.0	NE	.50	9.3
Fay's Drug	FAY	11.25	9.13	10.88	1.75	19.18	11.75	8.00	.20	-.50 q	-87.7	NM	.20	1.8
Genovese Drug	GDX	14.50	13.75	14.25	.38	2.70	15.00	9.63	.73	-.30 f	-29.1	19.5	.20	1.4
Longs Drg Strs	LDG	34.00	32.50	33.25	.75	2.31	35.38	24.75	1.74	-.19 q	-9.9	19.2	.76	2.3
Medicare Glaser	MGCO	4.00	3.75	3.75	.25	7.14	5.00	3.50	.05	-.49 n	-100.0	NE	.00	.0
Medicine Shoppe	MSII	32.00	27.25	31.25	3.75	13.64	32.00	21.00	.84	.14 s	18.2	34.3	.00	.0
Perry Drug	PDS	20.88	18.50	19.63	1.13	6.08	20.88	12.75	.98	.18 q	22.2	19.8	.22	1.1
Revco Drug	RDS	37.50	36.50	37.00	-.50	-1.33	39.88	23.13	1.06	-1.01 n	-51.3	38.5	.80	2.2
Rite Aid Corp	RAD	35.25	32.50	32.88	-.38	-1.13	35.25	21.50	1.52	-.17 f	-10.1	21.6	.58	1.8
Thrifty Cp	TFD	40.38	31.75	35.88	3.88	12.11	40.38	18.13	1.60	.13 s	8.6	21.7	.64	1.8
Walgreen Co	WAG	38.50	36.38	37.00	.50	1.37	38.50	22.50	1.53	.14 s	9.4	22.7	.50	1.4
Wholesaler's transactions														
Alco Hlth	AAHS	23.50	21.50	22.75	-1.00	-4.21	25.38	12.75	1.10	1.19 s	NC	19.1	.00	.0
Bergen Bruns	BBCA	30.00	28.88	29.38	-.63	-2.08	37.25	24.50	1.82	.20 s	12.4	16.2	.32	1.1
Bindley Wstn	BIND	12.38	12.00	12.13	.50	4.30	14.50	7.75	.79	.10 q	13.2	14.1	.00	.0
Cardinal Distrb	CDIC	24.50	23.25	24.00	.50	2.13	25.25	14.22	1.36	.44 f	47.8	17.6	.08	.3
Durr Fillauer	DUFM	16.63	14.50	15.88	1.25	8.55	16.63	9.25	.78	.01 q	1.3	19.8	.16	1.0
Ketchum	KCH	20.50	18.63	18.63	-1.25	-6.29	23.25	14.75	.56	-.01 n	-2.2	42.3	.00	.0
McKesson Cp	MCK	63.38	57.00	63.13	5.13	8.84	63.38	44.88	3.96	.36 f	10.0	15.9	2.40	3.8
Moore Med	MMD	21.63	21.25	21.25	-.38	-1.73	24.25	15.75	1.45	.29 q	25.7	15.0	.00	.0
Owens & Minor	OBOD	19.75	18.38	19.25	1.25	6.94	20.25	13.38	1.14	.10 q	9.7	17.0	.28	1.5
Manufacturer's transactions														
Abbott Labs	ABT	47.50	44.50	45.75	.75	1.67	47.50	26.44	1.94	.30 q	17.3	22.5	1.68	3.7
Am Home Prod	AHP	88.13	84.25	84.50	-.63	-.73	88.38	54.75	4.70	.36 q	8.1	17.5	3.10	3.7
Baxter Travenol	BAX	21.25	19.63	20.25	-.13	-.61	21.25	12.38	.85	.48 q	200.0	28.1	.40	2.0
Block Drugs Co	BLOCA	26.00	25.00	25.00	.25	1.01	26.25	17.00	1.84	.14 f	8.2	13.6	.50	2.0
Bolar Pharm	BLR	28.00	23.75	27.88	4.00	16.75	28.00	12.00	.71	.17 q	26.2	34.0	.05	.2
Bristol-Myers	BMY	81.50	78.00	79.13	.38	.48	81.88	53.63	3.86	.42 q	11.8	19.9	2.20	2.8
Carter-Wallace	CAR	65.75	62.88	64.75	1.75	2.78	66.25	32.38	3.63	.97 f	36.5	17.8	.60	.9
Forest Labs	FRX	18.00	16.88	18.00	.63	3.60	19.69	10.56	.98	.61 f	164.9	18.4	.00	.0
ICN Pharm	ICN	13.63	11.00	13.50	1.50	12.50	15.63	8.50	-2.10	-2.11 q	-100.0	NE	.00	.0
Key Pharm	KPH	20.38	18.75	20.13	1.50	8.05	20.38	7.13	-.02	-.57 q	-93.4	NM	.00	.0
Lilly Eli Co	LLY	77.75	70.75	73.75	3.63	5.17	77.75	40.50	3.69	.27 q	7.7	19.5	1.80	2.4
Lee Pharm	LPH	31.38	21.50	27.50	-4.13	-13.04	32.75	4.63	.40	.27 s	87.1	47.4	.00	.0
Leiner P Nutri	PLIN	14.25	13.00	14.25	.00	.00	15.00	8.25	.81	.03 f	3.8	17.6	.00	.0
Marion Labs	MKC	37.00	34.50	36.50	1.63	4.66	37.00	15.63	.47	.22 n	51.2	56.2	.40	1.1
Merck & Co	MRK	100.25	94.00	96.63	2.50	2.66	100.25	51.75	3.79	.57 q	16.6	24.2	1.80	1.9
Morton Thiokol	MTI	39.63	34.75	38.13	3.25	9.32	40.50	30.00	2.50	-2.66 n	-67.9	30.3	.70	1.8
Mylan Labs	MYL	25.63	23.13	23.38	-1.88	-7.43	27.13	13.50	.86	.34 f	65.4	27.2	.10	.4
Newport Pharm	NWPH	7.63	7.00	7.13	.13	1.79	14.50	6.25	.05	-.08 n	-100.0	NE	.80	11.2
Par Pharm	PARP	16.50	15.25	16.25	.00	.00	23.25	14.25	.47	.08 s	16.0	28.0	.00	.0
Pfizer Inc	PFE	63.75	60.63	61.13	.13	.20	64.88	43.75	3.44	.35 q	10.9	17.2	1.64	2.7
Robins, AH	QRAH	13.13	12.00	12.50	.63	5.26	19.25	5.50	2.53	20.78 q	NE	4.8	.00	.0
Rorer Group	ROR	42.00	39.50	39.88	.38	.95	47.00	32.50	1.72	-.21 q	-10.1	21.3	1.12	2.8
Scherer RP Co	SCHC	15.38	14.13	14.38	.63	4.55	16.50	10.75	-1.23	-.80 f	NE	NE	.32	2.2
Scher Plough	SGP	77.75	71.88	77.50	6.25	8.77	77.75	44.00	3.77	.43 q	12.2	19.6	1.80	2.3
Squibb Corp	SQB	101.25	95.75	96.88	.50	.52	106.00	59.13	4.20	.64 q	17.0	22.0	2.00	2.1
Sterling Drug	STY	46.25	42.50	43.38	-1.63	-3.61	47.13	29.50	1.83	-.51 q	-21.2	22.8	1.32	3.0
Syntex Corp	SYN	65.38	62.25	64.00	1.38	2.20	65.38	28.88	4.65	3.31 n	160.7	11.9	1.20	1.9
Thompson Med	TM	18.13	16.75	17.75	-.25	-1.39	21.00	11.75	1.18	-.75 q	-39.5	15.4	.40	2.3
Upjohn Co	UPJ	99.75	94.00	96.88	2.88	3.06	99.75	50.38	3.29	.85 q	32.6	28.0	1.52	1.6
Warner-Lambrt	WLA	60.75	56.75	57.25	-.13	-.22	60.75	33.75	-4.05	-6.83 q	-100.0	NE	1.56	2.7
Zenith Labs	ZEN	33.63	30.38	31.75	.00	.00	36.63	17.38	1.46	1.04 q	216.7	20.9	.00	.0

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.

q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISING TRENDS

Retailers strive to perk up '86 cosmetics sales

Retailers dub 1985 year of 'stabilizing'

By Liz Parks

With a few bright exceptions in the nail, lip and eye segments, the color cosmetic category in drug stores was relatively flat overall in 1985, lacking what retailers call "strong new major fashion introductions" to drive it.

Some new lines, bright colors and shades, and repackaged, repositioned, reformulated or repriced lines did well in 1985 and early 1986, according to drug store retailers. But there was nothing as dramatic as the mousse category introduction of a few years ago to make the department take off.

Retailers say they saw an even more lackluster performance in fragrances.

"Lip and nails were hot in 1985," said Steve Peck, vp and merchandise manager of cosmetics for People's Drug.

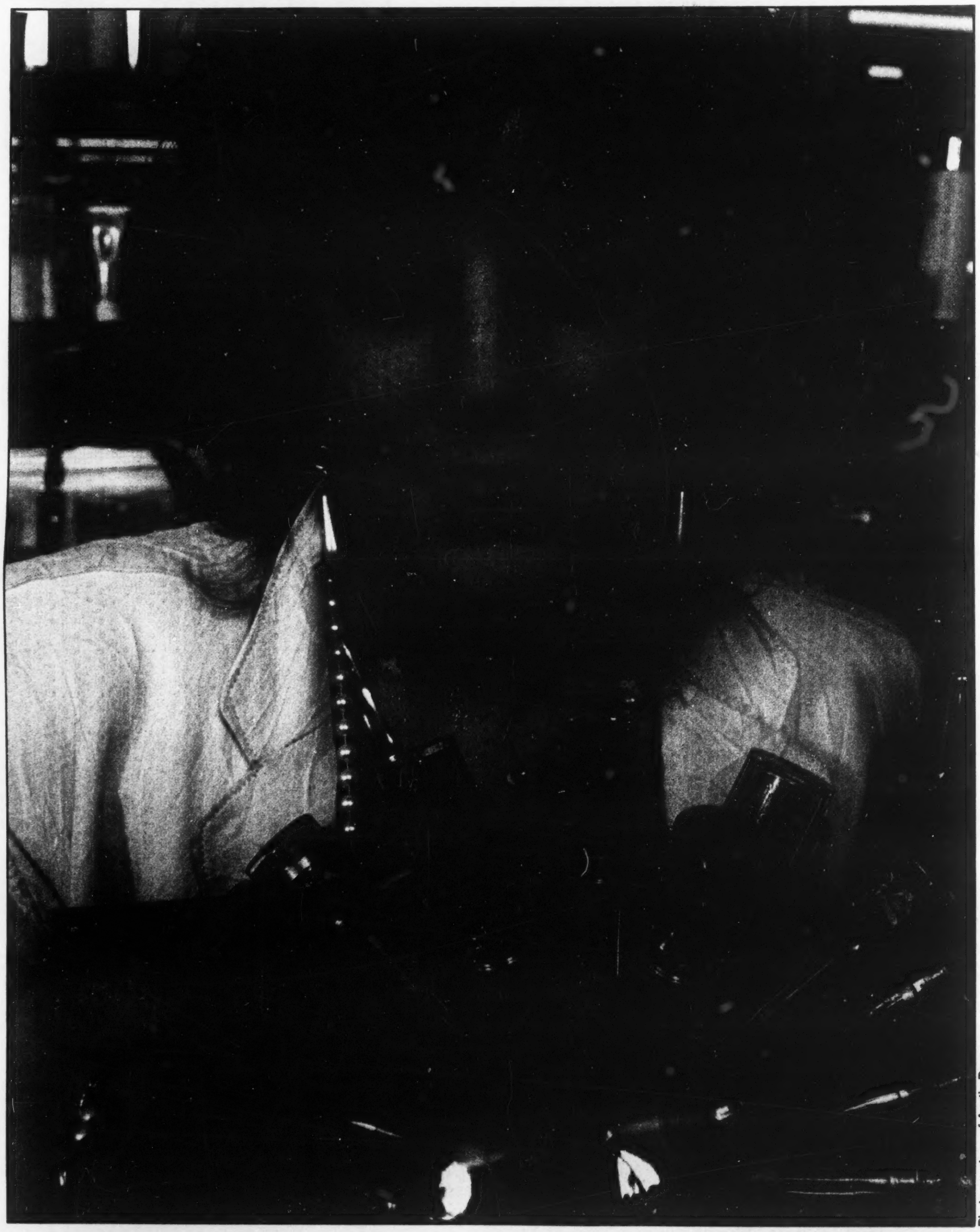


Photo courtesy of Austin Drug

Share of sales by cosmetic segments in retail drug stores

	1985 (millions)	% change
Eye care	$228.4	(3%)
Lip care	197.0	2
Nail care	152.7	17
Face makeup	258.4	8
Total color cosmetics*	836.5	5

*Does not include sales of moisturizers or skin treatment products
Source: A. C. Nielsen

"However, taking into account inflation, the category itself was relatively flat, and so was the fragrance category."

No blockbusters

"At Drug Emporium," said executive vp Gary Wilber, "we're not aware of anything new that blew the doors down. People seem to be repackaging and reflecting back what L'Oreal and Revlon have done. Some of the new repackagings have been very exciting, and I think we'll see more of that, but there's nothing new that I can say has really energized the category so far this past year."

Most retailers say their sales in cosmetics are up an average of 4%-5%, with some notable exceptions like Drug Emporium, F & M and Rite Aid reporting increases averaging 15%, 20% and better.

According to A. C. Nielsen, total sales of color cosmetics (excluding skin care and skin treatment products) in drug stores increased 5% in 1985 to $836.5 million.

Sales of fragrances in drug stores were up about 3% to $836.8 million, but in both instances, Nielsen estimates that inflation accounted for most of the growth.

Many retailers described 1985 as a year of "stabilizing" or "revitalization," as manufacturers began to take a new look at themselves and their brands and to make changes designed to maximize their establishment image and their potential for growth.

Profusion of new products

Some buyers even called the year "frenetic": New packs and new products seemed to come out every day, causing buyers and merchandisers to scramble to review planograms, ad programs and decisions on prepacks and in-store displays.

One buyer for a Southern chain complained that in the past year, there was too much "confusion" and "no originality"—manufacturers scrambled to copy every successful new product that reached the retail shelf.

"There's confusion in ordering," she said, "because everything looks alike. There are also too many one-time-only shades, and too often manufacturers are mixing permanent items in with orders for prepacks for new or promotional items, so it's hard to always know what you're ordering."

Added Stephanie Hayter, cosmetic buyer for Genovese Drug, "it seems like every week we're revising our planogram for something. There are a lot of new products coming out, but

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MERCHANDISING TRENDS

Cosmetics: Category in motion

Buyers view exciting cosmetics products

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they're coming out faster than we can get them in our stores."

Hottest category: Nails

For most retailers, nail care was the hottest category in 1985 and early 1986. Eye, lip and facial had some winners, but nothing matched the growth in nail care sales.

1985 Share of sales for eye care cosmetics

Source: A. C.Nielsen

Every buyer interviewed by *Drug Store News* agreed that Lee's new colored press-on nails was the "hottest thing" happening in cosmetics at the moment, while buyers also said that "everything in nails and manicure is selling well," from the glue-ons to the press-ons and even including the buffers and other accessories.

Other brands seen as strong by buyers and marketing executives were: Max Factor and Revlon, both of whom have new repackaged lines of nail enamels and polishes: Jonee with their broad line of nail accessories; Ardell with colored nails; and Aziza with one-coat nail enamel.

> Some retailers . . . were reporting success with the new multicolored pencil eye shadow lines first introduced to the market by Aziza as a promotional item.

"At F & M," said cosmetics buyer Nancy Stone, "our overall cosmetic and fragrance sales are up in double digit numbers, but the nail care category is growing at about double that rate."

Eye shadow innovations

Some retailers like Eleanor Marshall, cosmetics buyer for Perry Drug in Pontiac, Mich., and F & M's Nancy Stone were also reporting success with the new multicolored pencil eye shadow lines first introduced to the market by Aziza as a promotional item.

Marshall said Perry couldn't keep Aziza's Cosmos shaded pencils in stock, and the same thing was happening with L'Oreal's Kaleidoscope pencils.

"These are what I'd call innovative products," Marshall said. "We're not even advertising them, and they're flying off the shelf."

"Revlon's Custom Eyes are still doing well," said Stone, "and so is Cover Girl's new single pan shadow."

In eye wear, Stone said, purple and blue mascara were faring well, especially Cleopatra's bright mascaras and the many promotional bright mascaras that are now out.

"Everybody's making them right now," she said, "and they fit in with the trend that also sees the bright nail colors and the bright lip glosses selling well."

Eckerd's new cosmetics design, featuring a warm and open look, is geared to the needs of the busy woman shopper.

Face makeups

In face makeup, Maybelline, Cover Girl, Revlon and Almay were consistently cited as good sellers. L'Oreal's Visuelle was having success with most retailers, and several said they saw a trend to increasing sales of loose face powder to women "to finish off their look."

Also selling well was Cover Girl's new replenishment makeup, which buyers said filled a need for women who wanted some moisturizer in their makeup but not as heavy an application as traditional moisturizing makeups.

In lip makeup, bright colors like yellow and blue were among the leaders, especially, according to some buyers, L'Oreal's promotional lip glosses.

Drug stores remain dominant

Although drug stores still hold the dominant share of all mass market color cosmetic sales, mass merchandise stores and food stores have been gaining share at a brisker pace in the last few years, with the strongest gains coming from mass merchandise outlets.

According to A. C. Nielsen, drug stores in 1985 had a 59.1% share of mass market color cosmetic sales, down from 64.9% in 1982.

Mass merchandise stores, on the other hand, had a 24.4% share in 1985 compared to just a 19.9% share in 1982. Food stores had a 16.5% share in 1985,15.2% in 1982.

In 1985, sales of color cosmetics in mass merchandisers were up 10% to $345.4 million while sales in drug stores were only up 5% to $836.5 million.

Nielsen said food stores also did slightly better than drug stores in 1985, increasing cosmetic sales 6% to $233.5 million.

Men's fragrances

Food stores, according to Nielsen, did an even better job building sales in men's fragrances. The food store's segment of sales in men's fragrances went up 8% in 1985 to $81.7 million compared to just a 4% increase for drug stores to $271.9 million.

Mass merchandisers managed a 3% increase in men's fragrance sales to $117.5 million

Women's fragrances

In women's fragrances, drug store sales were virtually flat, said Nielsen, growing at a 1% rate to $564.9 million. Mass merchandise stores did better, increasing sales 5% to $204.3 million.

Food stores, Nielsen said, only carry a minimal selection of women's fragrances, so their sales in this category are negligible.

Drug stores, however, continue to have the dominant share of both cosmetics and fragrance sales among the three major mass market retail outlets.

According to Nielsen, drug stores in 1985 had a 59.1% share of color cosmetic sales compared to a 16.5% share for food stores and a 24.4% share for mass merchandise stores.

In men's fragrances, drug stores in 1985 had a 57.7% share of total sales compared to a 17.4% share for food stores and a 24.9% share for mass merchandisers.

In women's fragrances, drug stores held a commanding 73.4% share compared to a 26.6% share for mass merchandisers.

Color cosmetic dollar sales: breakout of share trends*
(Drug stores vs. food and mass merchandise stores)

Year	Drug	Food	Mass merchandise stores
1985	59.1%	16.5%	24.4%
1984	59.9	16.6	23.5
1983	62.0	16.2	21.8
1982	64.9	15.2	19.9

*Does not include sales of moisturizers or other skin treatment products.

Source: A. C. Nielsen

Growth in color cosmetic dollar sales*
(Drug store vs. food and mass merchandise stores)

Year	% chng 3 outlets combined	% chng drug stores	% chng food stores	% chng mass merchandise stores
1985	6%	5%	6%	10%
1984	13	9	16	21
1983	9	4	17	20
1982	10	7	15	17
1981	14	10	34	15
1980	18	16	32	16

*Does not include sales of moisturizers or other skin treatment products

Source: A. C. Nielsen

1985 Share of sales for makeup cosmetics

Source: A. C. Nielsen

Fragrances sell well

In fragrances, knockoff lines or smell-alikes continued to be popular in 1985. Buyers say the strength of the better-selling knockoffs like Parfum de Coeur's Primo or Lenox's line of Great Pretenders was in their "perceived quality" and in their price points. "Consumers are definitely responding to knockoffs," said Hook Drug's vp-merchandising Marc Varnau, "and I think we'll continue to see that."

Most retailers said designer fragrances like Obsession and Opium were also moving "whenever we could

Continued on page 32

MERCHANDISING TRENDS

Cosmetics: Category in motion

Retailers keep seeking best look for cosmetics

Drug store retailers continued in 1985 to upgrade their cosmetic departments—trying to find the "optimum" space allocations, graphic look, and merchandise mix.

Many companies introduced department store-type fixtures and graphics into their stores, went out of their way to increase facings for franchised lines, and added prestige fragrances, whenever possible, to their product mix.

New fixtures at Genovese

Genovese buyer Stephanie Hayter is giving L'Oreal, Cover Girl, Almay and Del Lab's Sally Hanson more space. The Elizabeth Arden line has been added to some stores, as have bullpen fragrance departments.

The chain is installing new fixtures with "pink with gold trim" in all new and remodeled stores, with hopes of having them chainwide over the course of the next year.

Cosmetics, which two years ago only accounted for 8.7% of total store sales, are now up to 9.5%, and Genovese is aiming for a maximum 10% in the next year or so.

Like most retailers interviewed by *Drug Store News* for this section, Genovese is also doing more cosmetic and fragrance advertising in a push to build up this key department's visibility and convince the traditional department store shopper to come to Genovese for quality cosmetics and fragrances at better prices.

Drug Emporium cosmetics gain

At Drug Emporium, sources say cosmetic sales have been growing dramatically in the last couple of years. Sales have consistently been up, said one source, registering increases of 20% and more for several years.

According to vp Frank Shanower, Drug Emporium has gotten away from vendor fixtures and opted for a more consistent, total-store look.

Executive vp Gary Wilber said the chain tries to give at least 100 running feet of wall space to cosmetics, and, whenever possible, to install a bullpen with about 16 ft. allocated for prestige fragrances plus another 28 ft. for popularly priced fragrances.

> 'Drug Emporium has gotten away from vendor fixtures and opted for a more consistent look.'

Out of Drug Emporium's average 18,000 sq. ft. of selling space, cosmetics/fragrances overall get about 3,500 sq. ft.

Wilber said that today, cosmetics account for about 15% of all Drug Emporium's sales, with some older stores in good demographic markets doing as much as $150,000 a year in cosmetic sales. He said stores generally turn their inventory every 8 to 10 weeks and that, down the line, Drug Emporium can probably increase cosmetic sales to about 25% of total store volume.

Hook: Customizing cosmetics

At Hook Drug, management is customizing its stores, putting in prestige items in neighborhoods where merchandising thinks there may be a demand for those brands and putting in the trendy items with youth appeal in neighborhoods where that approach seems appropriate.

Hook, said vp-merchandising Mark Varnau, is giving more space to Cover Girl, Maybelline and L'Oreal, and is thinking of expanding Revlon's allocation for Natural Wonder, depending on how well the newly repackaged line sells this summer.

Hook, too, is trying to convince the department store shopper to spend some time checking out the cosmetic specials in drug stores. For the first time in their history, they published a six-page tabloid in late April of this year promoting their Beauty Festival.

Sales results were not in at press-time, but Varnau said the ad had the same "fluffy, feminine" look as department store ads and was designed to show customers that "we are seriously in the beauty business."

Rite Aid sees growth potential

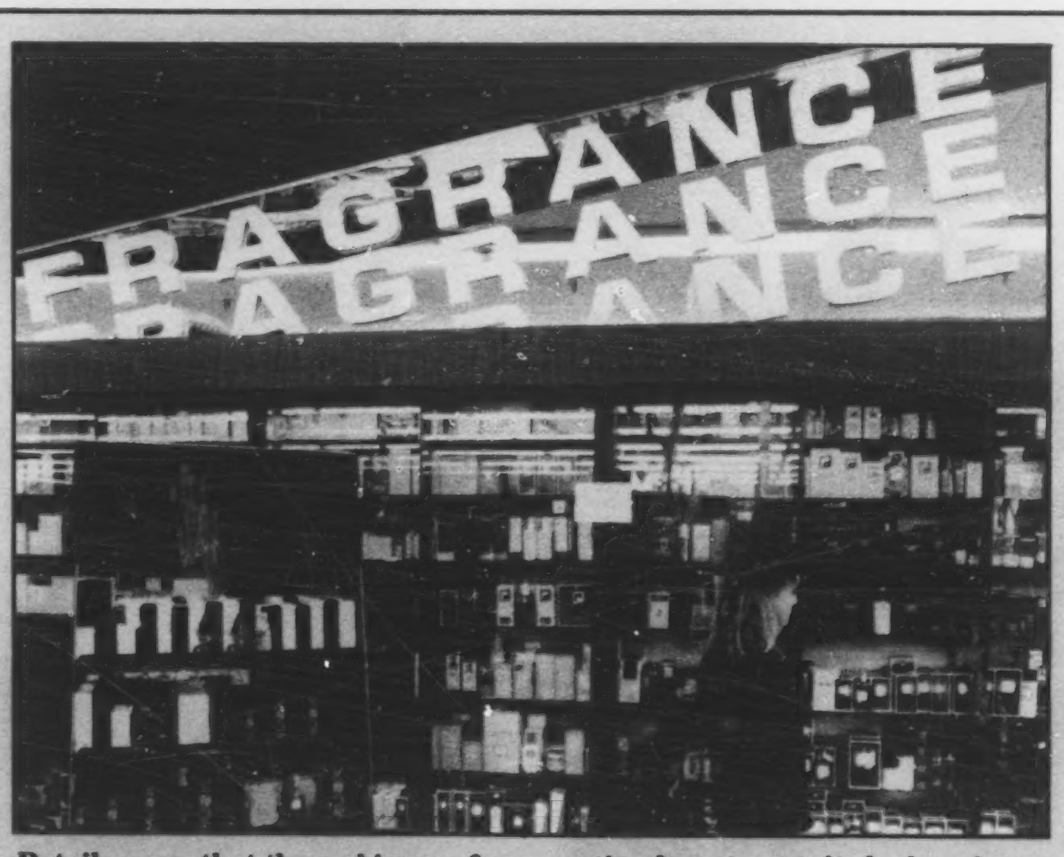
At Rite Aid, vp-purchasing Howard Diener said stores have been registering sales increases in cosmetics of about 15% to 20% a year. He said Rite Aid still sees a lot of growth potential in the category and believes that eventually stores will be able to do about 8% of all front-end sales in beauty products. Right now cosmetics account for about 5% of front-end sales within the chain.

Rite Aid is switching to the Noxell fixtures. About 900 stores have gotten the new look in the last four to five years, and the chain has about 500 more stores to go before the look is companywide.

Last year, Rite Aid began putting in fragrance islands (glass and chrome units) that are now going into all new and remodeled stores. Currently, Rite Aid is giving each store about 45 ft. for cosmetics, plus another 8 ft. for fragrances. "We've been increasing space for the last three years, and we will probably continue to increase until we feel we've maximized our space to sales allocations."

Continued on page 20

Deep discount drug stores like Drug Emporium, above, and F & M, below, attract shoppers by really "packing out" the merchandise. The more product a display or fixture can hold, the better for these chains.



Retailers say that the ambience of a cosmetics department, its look and even smell are crucial for building traffic and sales.

Growth in women's fragrance sales

	1985 Dollar sales (millions)	% change from last year	Share of total sales (%)
Drug stores	$564.9	1%	73.4%
Mass merchandise stores	204.3	5	26.6
Total: Mass merchandise outlets	769.2	2	100.0

Source: A. C. Nielsen

Drug store share of color cosmetic dollar sales*

(in millions)

	1985 sales	% change from last year	Share of sales %
Drug stores	$ 836.5	5%	59.1%
Food stores	233.5	6	16.5
Mass merchandise stores	345.4	10	24.4
Total three outlets	1,415.4	6	100.0

*Does not include sales of moisturizers or other skin treatment products
Source: A. C. Nielsen

Growth in men's fragrance sales

	1985 Dollar sales (millions)	% change from last year	Share of total sales (%)
Drug	$271.9	4%	57.7%
Food	81.7	8	17.4
Mass merchandise	117.5	3	24.9
Total	471.1	4	100.0

Source: A. C. Nielsen

Hook's

Genovese

Chains choosy on fixtures

Continued from page 18

Diener said in this last year, Rite Aid added Almay to its mix, as well as increasing space for Maybelline and Cover Girl. He added that L'Oreal probably would have gotten more space except they do such a good job with their display units that they are the most efficient line in the category.

"They keep their sku's in such a tight area," he said, "that they give us one of the best returns per square foot in the store."

SupeRx promoting from within

At SupeRx, merchandise manager Dave Wesloh said the chain has been eliminating "cardboard clutter" by concentrating in the last few months on doing more promotions from within "our basic lines."

SupeRx has also been working with manufacturers like Revlon and L'Oreal to develop fixtures that are both space efficient and informational.

"We have self-service stores in which we try to assist sales whenever possible," he said, "but our strong need is for fixtures that almost sell the products by themselves.

"We need fixtures and packages that are so organized that customers can easily see that if they have dry skin, they should buy this brand or this line, or that if they want this color on their skin, hair, lips or nails, they should buy this brand."

SupeRx, said Wesloh, will be installing some of Revlon's newest, "more flexible" fixtures over the next 60 to 90 days. They will continue to work with all manufacturers to come up with the upscale look that Wesloh thinks drug stores must have to capture more of the shoppers now buying their cosmetics in department stores.

F & M considering new fixtures

F & M is planning to use new fixtures in all future stores. Merchandising vp Mike Micallef said management is considering Revlon's new "flexible" black and gold fixtures, first introduced to retailers at the NACDS annual show in Hawaii in May, as well as Noxell's latest fixtures.

F & M is continuing to sell designer fragrances like Opium and Halston at discounted prices.

"Cosmetics, like health & beauty aids," said Micallef, "are an integral part of our stores. Ambience and assortment as well as price are important to our customers.

Retailers say that consumer research tells them that customers like being able to test cosmetics before buying. They also like displays that highlight "what's new."

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MERCHANDISING TRENDS

Cosmetics: Category in motion

Demographics fuel success of nail category

Continued from page 16

get them." Most retailers added, however, that they were being extra careful buying diverted fragrances, apparently afraid of counterfeit or possibly stolen goods. Several made the point that they would "pass up" a possibly legitimate sale of a diverted product if the seller "didn't have all the documentation we needed to be satisfied."

Picks for fall

For the latter part of 1986 and the key back-to-school through Christmas/New Year's selling season, buyers picked Noxell's new brand of complete color cosmetics, Clarion, and the new Zazu line of "hair cosmetics" from L'Oreal, both scheduled for introduction in the fall, as potential best sellers. *(See Beauty Beat page 30.)*

The Clarion line, backed by Noxell's advertising dollars and reputation for quality and service, will be "fantastic" when it comes out, retailers predicted, doing for cosmetics what mousse did for its category.

Fashion trends

Most buyers thought they could see a link between certain successful products and the needs and desires of today's fashion-conscious cosmetics shopper.

In nail care, buyers like Drug Emporium's Kathy Covault, F & M's Stone, and Perry's Eleanor Marshall thought the working woman and the maturing teenager were fueling this category.

"Working women and the teenagers growing up and trading up," said Covault, "want nice looking nails at an affordable price." She added that the press-on nails are succeeding because they are "innovations," giving women the flexibility and ease of changing their nail look at will.

Salon-quality products

Covault predicted that drug stores would do well with a new segment coming into the marketplace: salon-quality nail care products.

She cited Orly, a line made by Orly Inc. in Chattsworth, Calif., and being test-marketed in some Drug Emporium stores, as "doing very well." She saw similar potential for the Nailene line soon to be introduced by Pacific World, based in Huntington Beach, Calif.

"To get a salon treatment now, women have to pay $50 to $60 a shot for the first nail treatment," she said. "These new lines will let women get the same treatment for about $10- $15."

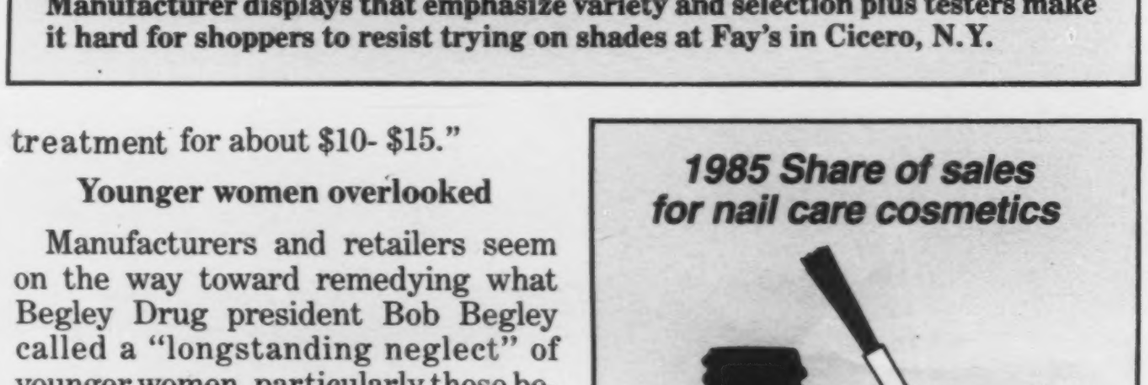
Younger women overlooked

Manufacturers and retailers seem on the way toward remedying what Begley Drug president Bob Begley called a "longstanding neglect" of younger women, particularly those between 15 and 24 years old.

Several retailers detect a growing awareness of this group's importance and a desire to introduce new products and merchandising strategies that would motivate these customers to buy more impulsively.

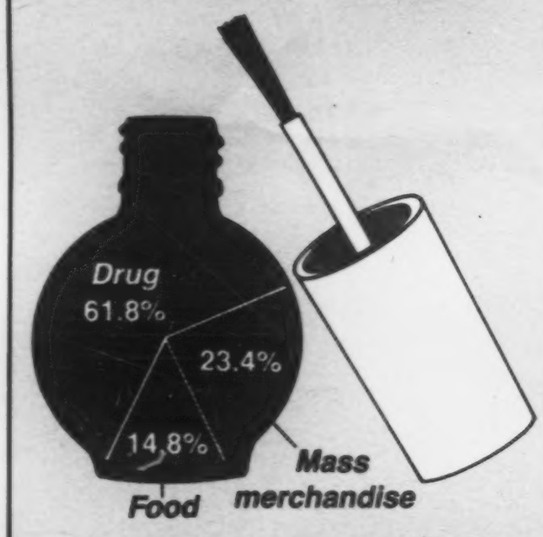
For instance, Begley Drug management has picked up on the idea—originated by a Begley cosmetician about two years ago—of using local teen-

Continued on page 34



Manufacturer displays that emphasize variety and selection plus testers make it hard for shoppers to resist trying on shades at Fay's in Cicero, N.Y.

Source: A. C. Nielsen



Source: A. C. Nielsen

Gold Link winners: Cosmetic ads

The mission: Get the customers into the store.
The medium: newspaper ads stressing special sales on cosmetic and fragrance.
The competition: 477 chain drug store companies competing for the 14th annual Gold Link Advertising awards co-sponsored by NACDS and *Woman's Day* magazine.
The winners: Genovese Drug for the fashionable department store look of its 1985 Valentine's Day ad (near left), Douglas Drug for its sweetheart theme for Valentine's Day (below), and Drug Fair Northwest for its full-page ad stressing savings and selections.

a Sweetheart of a Sale on Fragrances from...
DOUGLAS DRUG
6.00 to 45.00
SAVINGS ON TOYS FOR GIRLS AND BOYS FROM
WONDERFUL VALENTINE GIFTS

MERCHANDISING TRENDS

Cosmetics: Category in motion

Product success seen linked to lifestyle needs

Continued from page 32

agers as beauty advisers. Begley is considering using the teenage board to help make corporate decisions on what to buy, what to promote, and what type of display space to allocate to which lines.

And Drug Emporium's Gary Wilber said, "If anything, we're getting younger people shopping the color cosmetics category. In fragrances, maybe you're seeing the shopper getting a little older.

Younger shoppers

"But one of the reasons why L'Oreal is so hot, in addition to their prices, is that a lot of their appeal is to the person in their 20's, and that's a big demographic. That's a nice market to appeal to."

Other retailers are delighted to see Revlon give new support and attention to its repackaged Natural Wonder line, which is aimed at younger and perhaps more budget-conscious shoppers.

Howard Diener, vp-purchasing for Rite Aid, said Natural Wonder's new packaging reflects a better direction for the line and company. And Marc Varnau, vp-merchandising for Hook Drug, calls the packaging "very hip."

L'Oreal's Zazu is designed specifically to appeal to younger women, who neither want nor need permanent color changes — one reason some retailers are betting on it.

F & M's Nancy Stone pointed out that with bright colors for lips, nails and eyes selling so well today, bright temporary colors for the hair should be a "natural" winner.

Some retailers are doing more color cosmetic advertising and slightly less fragrance advertising, both to build up the image of their cosmetic departments and to attract more of the younger shoppers who buy impulsively.

Dave Wesloh, merchandise manager for SupeRx, said sales in the cosmetics section have been "strengthening" as SupeRx shifted more space to the color cosmetic lines, and that the chain was getting more "multiple purchases."

"Usually an ad for a fragrance will result in one sale," he said, "but if you advertise a nail enamel, you're very likely to pick up a related sale of a lipstick, and we find that's been happening for us."

Wesloh also said SupeRx will be continuing to test a variety of strategies in late 1986 and early 1987 designed to "upgrade the store's image."

"Most drug stores," he said, "can't afford to have full-time service people in the cosmetics section. To compete with the department stores, though, drug stores have to create departments that are bright, attractive and that almost sell the products by themselves.

"We're working very closely now with manufacturers like Revlon, L'Oreal and Max Factor to come up with fixtures that are both attractive and informational," he added "and although I can't say we have the perfect system yet, we're closer to it than ever before and that's where I think you'll see much of the action happening in the rest of this year and next year."

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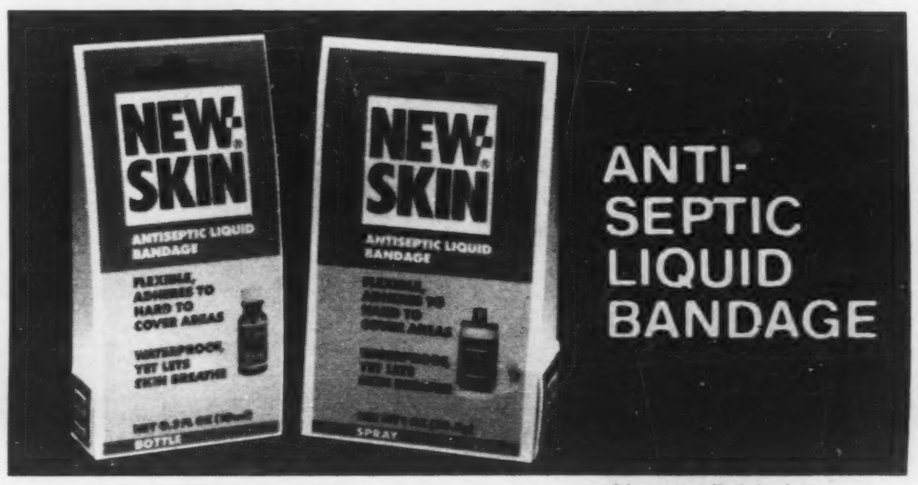

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